

Instructions for Completing Fiduciary Schedule MI-1041D

When To File

Use this form to adjust your Michigan taxable income if the estate or trust has capital gains or losses that are attributable to:

- 1) periods before October 1, 1967 (Section 271 adjustment). If you file U.S. 1041D or 4797, and you elect to adjust under Section 271 of the Michigan Income Tax Act, you must file the equivalent Michigan forms (MI-1041D or MI-4797). You must include all items of gain or loss realized during the tax year.
- 2) gains or losses from the sale or exchange of U.S. obligations that cannot be taxed by Michigan.
- 3) gains or losses from property subject to the allocation and apportionment provisions.

Schedule MI-1041D must be attached to your *Michigan Fiduciary Income Tax Return* (MI-1041).

General Information

Page 1 of form MI-1041D follows the pattern of page 1 of the U.S. 1041D and all the information necessary for completing it should be taken from the U.S. 1041D. Each transaction listed on the U.S. 1041D should be transferred to the corresponding line on the MI-1041D and entered in federal column D.

Rounding Off

Show money items as whole dollar amounts. Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents.

Identification

Enter the name of the estate or trust and the federal identification number at the top of the MI-1041D.

Parts 1 and 2

U.S. Information

Complete columns A, B, C and D from corresponding columns on the U.S. 1041D. Enter the date acquired, date of disposition and gains/losses realized in the appropriate columns. If the U.S. 1041D discloses capital assets reported under Sections 1245 and 1250, these assets must be reported on line 1 or line 6 as the case may be. Also, if capital assets are allocated to another state, they are excluded from the portion subject to Michigan income tax. A capital loss carryover from preceding years is entered as a short-term loss on line 4 or as a long-term loss on line 12.

Michigan Gain or Loss

Section 271. To apportion under Sect. 271, multiply the gain/loss in federal column D by the number of months the property was held after September 30, 1967. Divide the result by the total number of months held. Enter the result in Michigan column E. For the purpose of this computation, the first month may be excluded if acquisi-

tion took place after the 15th, and the last month may be excluded if disposal took place before the 15th.

Gains from installment sales made before October 1, 1967, must show the federal gain in federal column D and zero in Michigan column E. Gains or losses from installment sales made after October 1, 1967 are subject to Michigan tax but may be apportioned under Section 271.

Distributions from employee's pension, bonus or profit-sharing trust plans that are considered to be long-term capital gains (under Section 402 of the Internal Revenue Code) and capital gains distributions are not eligible for Section 271 treatment. Enter the total gain in both the federal and state columns.

U.S. Obligations. Gains from the sale or exchange of some U.S. obligations are not subject to tax and losses are not deductible. Enter a zero in the Michigan column for gains or losses realized from the sale of these non-taxable U.S. obligations.

Note: Any interest expense and other expenses incurred in the production of income from U.S. obligations should be entered on MI-1041 line 33. (See MI-1041 book instructions for line 33 on page 5).

Capital gains or losses from the sale or exchange of municipal bonds are still taxable for Michigan residents.

Out-of-State Property. Gains from the sale of property located in another state are not subject to Michigan tax, and losses are not deductible. Enter in the Michigan column the gain or loss from the sale or exchange of (1) real property located in Michigan, or (2) tangible personal property located in Michigan at the time of the sale or if the taxpayer was a Michigan resident, or (3) intangible personal property sold by a Michigan resident.

Part 3 - Lines 14, 15, and 16

Column A. Enter the corresponding net short-term or long-term gain/loss from column D (federal) and column E (Michigan) in the appropriate boxes. Combine lines 14 and 15, and enter the result on line 16.

Column B. Enter the share of short-term and long-term gains and losses retained by the fiduciary. **Follow the instructions on the form for resident and nonresident estates and trusts.**

Column C. Enter the share of short-term and long-term gains/losses distributed to the beneficiaries. Totals on line 16 should equal the totals on form MI-1041, Schedule 5, line 77.

Part 6

If the net loss on line 16, column A is more than \$3,000, or if the taxable income on U.S. 1041, page 1, line 22 is zero or less, complete this section to determine the capital loss carryover.

